

CITY OF OAKLEY, KANSAS
Oakley, Kansas

Financial Statements with Independent Auditors' Report

For the Year Ended December 31, 2006

CITY OF OAKLEY, KANSAS
Financial Statements with Independent Auditors' Report
For the Year Ended December 31, 2006

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INDEPENDENT AUDITORS' REPORT

The Mayor and City Council
City of Oakley
Oakley, Kansas 67748

We have audited the accompanying financial statements of the **City of Oakley, Kansas**, as of and for the year ended December 31, 2006 as listed in the table of contents. These financial statements are the responsibility of the **City of Oakley, Kansas'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the **City of Oakley, Kansas** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the **City of Oakley, Kansas**, as of December 31, 2006, or changes in financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of the **City of Oakley, Kansas**, as of December 31, 2006, their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

July 18, 2007

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CITY OF OAKLEY, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2006

Funds	Beginning Unencumbered Cash Balance	Prior Period Restatement	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add: Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Funds:								
General Fund	\$ 58,870	-	-	3,365,541	877,832	2,544,579	7,724	2,552,303
Special Revenue Funds:								
Employee Benefits Fund	(19,863)	-	-	220,520	227,466	(26,809)	190	(26,619)
Library Fund	120	-	-	114,907	114,205	822	-	822
Special Highway Fund	-	-	-	144,675	128,272	16,403	1,775	18,178
Special Parks and Recreation Fund	2,628	-	-	3,033	522	5,139	-	5,139
Convention and Tourism Fund	3,691	-	-	23,475	14,297	12,869	2,294	15,163
Swimming Pool Lease Fund	47,622	-	-	44,899	92,521	-	-	-
Self Insurance Fund	7,868	-	-	28,979	36,847	-	-	-
Equipment Reserve Fund	100,403	-	-	82,780	132,111	51,072	-	51,072
Capital Improvement Fund	17,980	-	-	46,000	12,000	51,980	-	51,980
Debt Service Fund:								
Bond and Interest Fund	642	-	-	104,134	93,797	10,979	-	10,979
Enterprise Funds:								
Water Utility Fund	14,615	-	-	275,339	199,337	90,617	22,478	113,095
Water Reserve Fund	96,789	-	-	28,205	83,589	41,405	-	41,405
Electric Utility Fund	(174,270)	-	-	2,409,099	1,869,168	265,861	23,732	289,393
Electric Reserve Fund	29,278	-	-	69,972	-	99,250	-	99,250
Sanitation Utility Fund	20,286	-	-	333,876	325,858	28,304	73,601	101,905
Sanitation Reserve Fund	859	-	-	31,885	-	32,744	-	32,744
Trust and Agency Funds:	122,875	-	-	101,385	46,951	177,269	19	177,288
Total Primary Government	328,393	-	-	7,128,704	4,054,813	3,402,284	131,813	3,534,097
Component Units:								
Library - General Fund	86,658	-	-	139,320	124,903	101,075	-	101,075
Library - Capital Improvement Fund	13,369	-	-	17,816	-	31,185	-	31,185
Library - Flexible Spending Plan Fund	1,409	-	-	9,697	8,072	3,034	-	3,034
Edna M. Hood Estate Bequest Fund	80,000	-	-	3,619	3,619	80,000	-	80,000
Total Reporting Unit	\$ 509,829	-	-	7,299,156	4,191,407	3,617,578	131,813	3,749,391

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2006

Composition of Cash:**Certificates of Deposits:**

Farmers State Bank	\$ 2,959,705
The Bank	107,086
Peoples State Bank	180,447

Checking Accounts:

Farmers State Bank	283,862
The Bank	1,993
Farmers State Bank - Petty Cash	704

Bank Balance	3,533,797
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Cash on Hand	300
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Total Primary Government	3,534,097
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Total Component Unit	215,294
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Total Reporting Entity	\$ 3,749,391
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The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2006

Funds	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Funds:					
General Fund	\$ 902,060	-	902,060	877,832	24,228
Special Revenue Funds:					
Employee Benefits Fund	223,000	1,560	224,560	227,466	(2,906)
Library Fund	114,205	-	114,205	114,205	-
Special Highway Fund	148,161	-	148,161	128,272	19,889
Special Parks and Recreation Fund	2,600	-	2,600	522	2,078
Convention and Tourism Fund	21,000	-	21,000	14,297	6,703
Swimming Pool Lease Fund	92,475	-	92,475	92,521	(46)
Debt Service Fund:					
Bond and Interest Fund	105,000	-	105,000	93,797	11,203
Enterprise Funds:					
Water Utility Fund	240,100	-	240,100	199,337	40,763
Electric Utility Fund	1,768,600	-	1,768,600	1,669,168	99,432
Sanitation Utility Fund	307,600	-	307,600	325,858	(18,258)

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 363,843	367,207	370,527	(3,320)
Delinquent Tax	4,311	5,536	-	5,536
Vehicle Tax	65,576	67,041	62,068	4,973
Sales Tax	145,176	156,231	120,200	36,031
Excise Tax	109	71	100	(29)
Total Taxes	<u>579,015</u>	<u>596,086</u>	<u>552,895</u>	<u>43,191</u>
Intergovernmental				
Alcohol-Liquor Distribution	2,932	3,033	3,800	(767)
FEMA Grant	-	22,204	-	22,204
Total Intergovernmental	<u>2,932</u>	<u>25,237</u>	<u>3,800</u>	<u>21,437</u>
Licenses and Permits				
Franchise Fees	33,672	44,004	34,000	10,004
Permits and Inspections	4,390	3,835	1,200	2,635
Dog Tags and Fees	690	815	200	615
Total Licenses and Permits	<u>38,752</u>	<u>48,654</u>	<u>35,400</u>	<u>13,254</u>
Charges for Services				
Sale of Cemetery Lots	3,798	3,639	2,000	1,639
Fines, Forfeitures, and Penalties				
Municipal Court	28,483	22,847	18,000	4,847
Use of Money and Property				
Swimming Pool	25,818	26,656	23,000	3,656
Fire Station Rent	-	-	1,200	(1,200)
Interest on Investments	10,155	28,502	4,000	24,502
Jail Rent/Dispatch/Prisoner Care	72,950	70,565	70,500	65
Airport Revenue	5,930	5,175	5,000	175
Total Use of Money and Property	<u>114,853</u>	<u>130,898</u>	<u>103,700</u>	<u>27,198</u>
Miscellaneous				
Reimbursed Expense	7,572	9,136	7,500	1,636
DARE Program	20	50	600	(550)
Oil and Crop Revenue	3,475	6,419	3,000	3,419
Miscellaneous	5,044	5,028	2,400	2,628
Donations	2	26	-	26
Insurance Proceeds	-	11,521	-	11,521
Recreation Commission Contributions	6,000	6,000	6,000	-
Sale of Electric Plant	-	2,500,000	-	2,500,000
Total Miscellaneous	<u>22,113</u>	<u>2,538,180</u>	<u>19,500</u>	<u>2,518,680</u>
Transfers In	<u>30,000</u>	<u>-</u>	<u>115,000</u>	<u>(115,000)</u>
Total Cash Receipts Carried Forward	<u>\$ 819,946</u>	<u>3,365,541</u>	<u>850,295</u>	<u>2,515,246</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Cash Receipts Brought Forward	\$ 819,946	3,365,541	850,295	2,515,246
Expenditures				
General Government				
Personal Services	60,898	55,030	53,300	(1,730)
Contractual Services	50,387	31,961	35,000	3,039
Commodities	200,936	74,880	45,000	(29,880)
Capital Outlay	39,789	-	2,000	2,000
Total General Government	352,010	161,871	135,300	(26,571)
Police Department				
Personal Services	279,427	308,039	308,400	361
Contractual Services	9,821	11,325	12,000	675
Commodities	30,696	39,556	42,150	2,594
Capital Outlay	4,332	1,438	7,200	5,762
Transfers Out	14,803	10,000	10,000	-
Total Police Department	339,079	370,358	379,750	9,392
Fire Department				
Personal Services	9,942	11,520	11,000	(520)
Contractual Services	7,102	6,668	7,920	1,252
Commodities	3,017	3,289	10,000	6,711
Capital Outlay	-	3,883	1,000	(2,883)
FEMA Grant Expense	-	22,204	-	(22,204)
Transfers Out	44,670	29,780	29,800	20
Total Fire Department	64,731	77,344	59,720	(17,624)
Street Department				
Transfers Out	55,008	80,000	80,000	-
Parks & Cemetery				
Personal Services	55,736	79,467	67,700	(11,767)
Contractual Services	4,246	3,193	4,020	827
Commodities	24,838	24,901	30,900	5,999
Capital Outlay	224	474	2,000	1,526
Transfers Out	-	46,000	46,000	-
Total Parks & Cemetery	85,044	154,035	150,620	(3,415)
Airport Operations				
Contractual Services	7,551	6,942	6,970	28
Commodities	21,236	24,314	19,700	(4,614)
Capital Outlay	480	2,968	70,000	67,032
Total Airport Operations	29,267	34,224	96,670	62,446
Total Expenditures Carried Forward	\$ 925,139	877,832	902,060	24,228

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Expenditures Brought Forward	\$ 925,139	877,832	902,060	24,228
Receipts Over (Under) Expenditures	(105,193)	2,487,709		
Unencumbered Cash, January 1	162,063	56,870		
Unencumbered Cash, December 31	\$ 56,870	2,544,579		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS

Employee Benefits Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes and Shared Revenues				
Ad Valorem Tax	\$ 156,940	175,729	177,350	(1,621)
Delinquent Tax	1,748	2,388	-	2,388
Vehicle Tax	27,661	29,304	27,012	2,292
Excise Tax	42	31	-	31
Employee Insurance Contribution	-	11,508	11,700	(192)
Reimbursed Expense	-	1,560	-	1,560
Total Cash Receipts	186,391	220,520	216,062	4,458
Expenditures				
Social Security	35,524	38,039	46,000	7,961
Employee Retirement	16,901	19,982	22,000	2,018
Workmen's Comp. Insurance	16,470	19,707	14,000	(5,707)
Health Insurance	135,059	145,434	139,800	(5,634)
Unemployment Taxes	11,257	4,304	1,200	(3,104)
Budget Credit (a)	-	-	1,560	1,560
Total Expenditures	215,211	227,466	224,560	(2,906)
Receipts Over (Under) Expenditures	(28,820)	(6,946)		
Unencumbered Cash, January 1	8,957	(19,863)		
Unencumbered Cash, December 31	\$ (19,863)	(26,809)		
(a) Budget Credit				
Excess Reimbursed Expense over Amount Budgeted		\$ 1,560		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS

Library Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 85,942	97,523	98,424	(901)
Delinquent Tax	1,055	1,323	-	1,323
Vehicle Tax	15,801	16,043	14,728	1,315
Excise Tax	26	18	-	18
Total Cash Receipts	<u>102,824</u>	<u>114,907</u>	<u>113,152</u>	<u>1,755</u>
Expenditures				
Appropriations	<u>102,824</u>	<u>114,205</u>	<u>114,205</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	702		
Unencumbered Cash, January 1	<u>120</u>	<u>120</u>		
Unencumbered Cash, December 31	<u>\$ 120</u>	<u>822</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Special Highway Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Favorable (Unfavorable)
Cash Receipts				
Intergovernmental				
State Aid	\$ 58,836	57,540	65,860	(8,320)
Employee Insurance Contribution	-	660	1,800	(1,140)
Reimbursed Expense	-	6,475	-	6,475
Transfers In	55,008	80,000	80,000	-
Total Cash Receipts	<u>113,844</u>	<u>144,675</u>	<u>147,660</u>	<u>(2,985)</u>
Expenditures				
Personal Services	71,378	60,104	77,500	17,396
Contractual Services	2,403	2,304	4,000	1,696
Commodities	54,660	65,785	66,661	876
Capital Outlay	469	79	-	(79)
Total Expenditures	<u>128,910</u>	<u>128,272</u>	<u>148,161</u>	<u>19,889</u>
Receipts Over (Under) Expenditures	(15,066)	16,403		
Unencumbered Cash, January 1	<u>15,066</u>	<u>-</u>		
Unencumbered Cash, December 31	<u>\$ -</u>	<u>16,403</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Special Parks and Recreation Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

		Current Year		Variance
	Prior Year Actual	Actual	Budget	Favorable (Unfavorable)
Cash Receipts				
Intergovernmental				
Private Club and Liquor Tax	\$ 2,932	3,033	2,600	433
Expenditures				
Capital Outlay	637	522	2,600	2,078
Receipts Over (Under) Expenditures	2,295	2,511		
Unencumbered Cash, January 1	333	2,628		
Unencumbered Cash, December 31	\$ 2,628	5,139		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Convention and Tourism Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Intergovernmental				
Transient Guest Tax	\$ 15,731	23,475	18,500	4,975
Expenditures				
Commodities	20,485	14,297	17,500	3,203
Transfers Out	3,000	-	3,500	3,500
Total Expenditures	23,485	14,297	21,000	6,703
Receipts Over (Under) Expenditures	(7,754)	9,178		
Unencumbered Cash, January 1	11,445	3,691		
Unencumbered Cash, December 31	\$ 3,691	12,869		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Swimming Pool Lease Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Interest on Investments	\$ 1,668	1,310	-	1,310
Transfers In	70,000	43,589	36,521	7,068
Total Cash Receipts	<u>71,668</u>	<u>44,899</u>	<u>36,521</u>	<u>8,378</u>
Expenditures				
Lease Purchase Payment	92,245	92,475	92,475	-
Transfers Out	-	46	-	(46)
Total Expenditures	<u>92,245</u>	<u>92,521</u>	<u>92,475</u>	<u>(46)</u>
Receipts Over (Under) Expenditures	(20,577)	(47,622)		
Unencumbered Cash, January 1	<u>68,199</u>	<u>47,622</u>		
Unencumbered Cash, December 31	<u>\$ 47,622</u>	<u>-</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Self Insurance Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 63	25
Premiums and Reimbursements	554,439	28,954
Total Cash Receipts	554,502	28,979
Expenditures		
Contractual Services	551,563	36,847
Receipts Over (Under) Expenditures	2,939	(7,868)
Unencumbered Cash, January 1	4,929	7,868
Unencumbered Cash, December 31	\$ 7,868	-

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Equipment Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 107,224	82,780
Expenditures		
Capital Outlay	147,087	132,111
Receipts Over (Under) Expenditures	(39,863)	(49,331)
Unencumbered Cash, January 1	140,266	100,403
Unencumbered Cash, December 31	\$ 100,403	51,072

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Capital Improvement Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ -	46,000
Expenditures		
Transfers Out	-	12,000
Receipts Over (Under) Expenditures	-	34,000
Unencumbered Cash, January 1	17,980	17,980
Unencumbered Cash, December 31	\$ 17,980	51,980

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Bond and Interest Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Taxes				
Ad Valorem Tax	\$ 29,316	40,881	41,231	(350)
Delinquent Tax	517	520	-	520
Motor Vehicle Tax	8,501	6,198	5,016	1,182
Excise Tax	14	9	5,000	(4,991)
Special Assessments	5,128	4,526	-	4,526
Transfers In	44,000	52,000	52,000	-
Total Cash Receipts	87,476	104,134	103,247	887
Expenditures				
Principal	46,000	40,000	47,000	7,000
Interest	51,464	53,797	56,000	2,203
Bond Reserve	-	-	2,000	2,000
Total Expenditures	97,464	93,797	105,000	11,203
Receipts Over (Under) Expenditures	(9,988)	10,337		
Unencumbered Cash, January 1	10,630	642		
Unencumbered Cash, December 31	\$ 642	10,979		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Water Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Sales	\$ 203,766	247,714	210,000	37,714
Penalties	1,544	1,964	1,500	464
Service Connections	1,380	2,070	1,000	1,070
Water Taps	1,157	439	1,000	(561)
Use of Money and Property				
Interest on Investments	1,219	843	1,000	(157)
Water Tower Rent	3,250	2,750	3,000	(250)
Taxes				
Sales Tax	3,890	2,935	3,500	(565)
Miscellaneous				
Reimbursed Expense	247	9,491	500	8,991
State Water Protection Fee	5,948	6,020	5,800	220
Miscellaneous	-	1,113	1,800	(687)
Total Cash Receipts	<u>222,401</u>	<u>275,339</u>	<u>229,100</u>	<u>46,239</u>
Expenditures				
Water Production				
Contractual Services	2,881	6,700	6,350	(350)
Commodities	673	868	1,500	632
Capital Outlay	64,355	18,204	500	(17,704)
Total Water Production	<u>67,909</u>	<u>25,772</u>	<u>8,350</u>	<u>(17,422)</u>
Water Transmission & Distribution				
Personal Services	40,456	36,735	48,000	11,265
Contractual Services	15	14	50	36
Commodities	16,769	10,348	15,000	4,652
Capital Outlay	-	11,242	5,000	(6,242)
Total Water Trans. & Dist.	<u>57,240</u>	<u>58,339</u>	<u>68,050</u>	<u>9,711</u>
Water Commercial & General				
Personal Services	53,631	38,377	57,000	18,623
Contractual Services	5,210	7,073	3,300	(3,773)
Commodities	18,081	19,730	19,000	(730)
Capital Outlay	-	-	3,000	3,000
Total Water Commercial & Gen.	<u>76,922</u>	<u>65,180</u>	<u>82,300</u>	<u>17,120</u>
Non-Operating Expenses				
Transfers Out	70,000	40,000	70,000	30,000
State Water Fee & Sales Tax	9,541	10,046	11,400	1,354
Total Non-Operating Expenses	<u>79,541</u>	<u>50,046</u>	<u>81,400</u>	<u>31,354</u>
Total Expenditures Carried Forward	<u>\$ 281,612</u>	<u>199,337</u>	<u>240,100</u>	<u>40,763</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS

Water Utility Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Expenditures Brought Forward	\$ 281,612	199,337	240,100	40,763
Receipts Over (Under) Expenditures	(59,211)	76,002		
Unencumbered Cash, January 1	73,826	14,615		
Unencumbered Cash, December 31	\$ 14,615	90,617		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Water Reserve Fund

Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 2,879	2,463
Reimbursed Expense	-	696
Transfers In	40,000	25,046
Total Cash Receipts	42,879	28,205
Expenditures		
Transfers Out	62,000	83,589
Receipts Over (Under) Expenditures	(19,121)	(55,384)
Unencumbered Cash, January 1	115,910	96,789
Unencumbered Cash, December 31	\$ 96,789	41,405

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS

Electric Utility Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Charges for Services				
Utility Sales	\$ 1,743,410	2,000,559	1,625,000	375,559
Penalties	11,877	14,584	10,000	4,584
Service Connections	6,561	7,724	5,000	2,724
Use of Money and Property				
Interest on Investments	1,345	2,781	500	2,281
Truck and Equipment Rental	63	825	-	825
Taxes				
Sales Tax	42,598	49,599	7,000	42,599
Miscellaneous				
Reimbursed Expense	14,227	14,524	10,000	4,524
Employee Insurance Contribution	-	4,390	9,000	(4,610)
Capital Credit Refunds	7,040	12,720	-	12,720
Miscellaneous	782	1,393	4,000	(2,607)
Transfers In	-	-	100,000	(100,000)
Total Cash Receipts	<u>1,827,903</u>	<u>2,109,099</u>	<u>1,770,500</u>	<u>338,599</u>
Expenditures				
Electric Production				
Personal Services	176,239	44,798	130,000	85,202
Contractual Services	1,260,711	1,147,461	1,048,000	(99,461)
Commodities	159,482	86,432	123,100	36,668
Capital Outlay	29,416	2,554	4,000	1,446
Total Electric Production	<u>1,625,848</u>	<u>1,281,245</u>	<u>1,305,100</u>	<u>23,855</u>
Electric Transmission & Distribution				
Personal Services	83,477	72,435	91,000	18,565
Contractual Services	4,917	4,135	5,200	1,065
Commodities	46,491	17,899	31,500	13,601
Capital Outlay	16,964	1,512	5,000	3,488
Total Electric Trans. & Dist.	<u>151,849</u>	<u>95,981</u>	<u>132,700</u>	<u>36,719</u>
Electric Commercial & General				
Personal Services	118,240	134,154	108,000	(26,154)
Contractual Services	5,231	9,931	5,000	(4,931)
Commodities	15,924	4,234	7,800	3,566
Capital Outlay	-	167	-	(167)
Total Electric Commercial & Gen.	<u>139,395</u>	<u>148,486</u>	<u>120,800</u>	<u>(27,686)</u>
Total Expenditures Carried Forward	\$ <u>1,917,092</u>	<u>1,525,712</u>	<u>1,558,600</u>	<u>32,888</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS

Electric Utility Fund

Statement of Cash Receipts and Expenditures - Actual and Budget

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Total Expenditures Brought Forward	\$ 1,917,092	1,525,712	1,558,600	32,888
Non-Operating Expenses				
Transfers Out	27,306	50,000	140,000	90,000
Other	79,714	93,456	70,000	(23,456)
Total Non-Operating Expenses	107,020	143,456	210,000	66,544
Total Expenditures	2,024,112	1,669,168	1,768,600	99,432
Receipts Over (Under) Expenditures	(196,209)	439,931		
Unencumbered Cash, January 1	21,939	(174,270)		
Unencumbered Cash, December 31	\$ (174,270)	265,661		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
 Electric Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 4,885	7,193
Reimbursed Expense	-	12,779
Transfers In	-	50,000
Total Cash Receipts	4,885	69,972
Expenditures		
Transfers Out	25,000	-
Receipts Over (Under) Expenditures	(20,115)	69,972
Unencumbered Cash, January 1	49,393	29,278
Unencumbered Cash, December 31	\$ 29,278	99,250

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Sanitation Utility Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
	Actual	Actual	Budget	
Cash Receipts				
Charges for Services				
Refuse Collection	\$ 180,171	203,903	176,000	27,903
Sewer Charges	106,358	123,006	102,500	20,506
Penalties	2,164	2,449	1,700	749
Uses of Money and Property				
Interest on Investments	929	1,640	-	1,640
Building Rent	300	-	-	-
Miscellaneous				
Reimbursed Expense	2,134	655	1,000	(345)
Employee Insurance Contribution	-	2,043	3,600	(1,557)
Miscellaneous	1,700	180	1,100	(920)
Total Cash Receipts	<u>293,756</u>	<u>333,876</u>	<u>285,900</u>	<u>47,976</u>
Expenditures				
Refuse Collection				
Personal Services	125,919	74,505	104,000	29,495
Contractual Services	4,751	3,719	5,800	2,081
Commodities	58,990	65,878	42,500	(23,378)
Capital Outlay	9,512	68,557	6,000	(62,557)
Total Refuse Collection	<u>199,172</u>	<u>212,659</u>	<u>158,300</u>	<u>(54,359)</u>
Sewage Treatment				
Personal Services	48,479	32,025	52,000	19,975
Contractual Services	2,571	3,272	3,300	28
Commodities	19,313	17,485	21,000	3,515
Capital Outlay	9,299	2,417	-	(2,417)
Total Sewage Treatment	<u>79,662</u>	<u>55,199</u>	<u>76,300</u>	<u>21,101</u>
Non-Operating Expenses				
Transfers Out	33,830	58,000	73,000	15,000
Total Expenditures	<u>312,664</u>	<u>325,858</u>	<u>307,600</u>	<u>(18,258)</u>
Receipts Over (Under) Expenditures	(18,908)	8,018		
Unencumbered Cash, January 1	39,194	20,286		
Unencumbered Cash, December 31	\$ <u>20,286</u>	<u>28,304</u>		

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
 Sanitation Reserve Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 1,068	1,885
Transfers In	13,385	30,000
Total Cash Receipts	14,453	31,885
Expenditures		
Transfers Out	27,000	-
Receipts Over (Under) Expenditures	(12,547)	31,885
Unencumbered Cash, January 1	13,406	859
Unencumbered Cash, December 31	\$ 859	32,744

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Museum Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Donations	\$ 3,474	55,736
Fund Raisers	2,076	1,952
Interest on Investments	2,588	5,321
Reimbursed Expense	6	74
Transfers In	3,000	-
Total Cash Receipts	11,144	63,083
Expenditures		
Commodities	9,136	7,043
Receipts Over (Under) Expenditures	2,008	56,040
Unencumbered Cash, January 1	66,657	68,665
Unencumbered Cash, December 31	\$ 68,665	124,705

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Museum Store Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Sales and Commissions	\$ 9,088	7,224
Interest on Investments	422	716
Total Cash Receipts	9,510	7,940
Expenditures		
Supplies and Inventory	5,987	4,489
Receipts Over (Under) Expenditures	3,523	3,451
Unencumbered Cash, January 1	31,471	34,994
Unencumbered Cash, December 31	\$ 34,994	38,445

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
 Cemetery Trust Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts	\$ -	-
Expenditures	-	-
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	6,500	6,500
Unencumbered Cash, December 31	\$ 6,500	6,500

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Flexible Spending Plan Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 22,802	26,872
Expenditures		
Flexible Plan Premiums	20,238	28,882
Receipts Over (Under) Expenditures	2,564	(2,010)
Unencumbered Cash, January 1	1,439	4,003
Unencumbered Cash, December 31	\$ 4,003	1,993

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Special Law Enforcement Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Forfeiture Proceeds	\$ -	3,490
Expenditures		
Commodities	6,513	6,577
Receipts Over (Under) Expenditures	(6,513)	(3,087)
Unencumbered Cash, January 1	15,226	8,713
Unencumbered Cash, December 31	\$ 8,713	5,626

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS

Library - General Fund

Statement of Cash Receipts and Expenditures - Actual

For the Year Ended December 31, 2006

(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Appropriations from City		
Library Fund	\$ 104,924	122,833
Intergovernmental		
Grants	176	432
State Aid	48	-
Uses of Money and Property		
Interest on Investments	1,932	4,259
Miscellaneous		
Fines and Fees	2,001	1,956
Contributions and Memorials	3,899	3,409
Book Sales	175	262
Miscellaneous	322	2,550
Transfers In	2,206	3,619
Total Cash Receipts	<u>115,683</u>	<u>139,320</u>
Expenditures		
Personal Services	82,819	85,977
Contractual Services	5,214	5,440
Commodities	12,222	12,547
Capital Outlay	189	3,123
Transfers Out	2,734	17,816
Total Expenditures	<u>103,178</u>	<u>124,903</u>
Receipts Over (Under) Expenditures	<u>12,505</u>	<u>14,417</u>
Unencumbered Cash, January 1	<u>74,153</u>	<u>86,658</u>
Unencumbered Cash, December 31	<u>\$ 86,658</u>	<u>101,075</u>

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Library - Capital Improvement Fund
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2006
(With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers In	\$ 2,734	17,816
Unencumbered Cash, January 1	10,635	13,369
Unencumbered Cash, December 31	\$ 13,369	31,185

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
 Library - Flexible Spending Plan Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Collections	\$ 8,223	9,697
Expenditures		
Flexible Plan Premiums	7,307	8,072
Receipts Over (Under) Expenditures	916	1,625
Unencumbered Cash, January 1	493	1,409
Unencumbered Cash, December 31	\$ 1,409	3,034

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
 Edna M. Hood Estate Bequest Fund
 Statement of Cash Receipts and Expenditures - Actual
 For the Year Ended December 31, 2006
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2005)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest on Investments	\$ 2,206	3,619
Expenditures		
Transfers Out	2,206	3,619
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, January 1	80,000	80,000
Unencumbered Cash, December 31	\$ 80,000	80,000

The notes to the financial statements are an integral part of this statement.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2006

1. Summary of Significant Accounting Policies

The City has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the statutory basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies:

A. Financial Reporting Entity

The **City of Oakley, Kansas** is a municipal corporation governed by an elected Mayor and five elected council members. The City receives funding from local, state, and federal governmental sources and must comply with the requirements of these funding sources.

The financial statements of the City consist of all the funds of the City and governmental entities that are considered to be controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board.

The **City of Oakley, Kansas** is the primary government as defined in GASB #14 and further amended by GASB #39. The City Council is elected by the public. The Council has the authority to make decisions, levy taxes, influence operations and has the primary accountability in fiscal matters.

The following is a component unit of the **City of Oakley, Kansas**. The City exercises significant influence or accountability based primarily on operational or financial relationships with the City (as distinct from legal relationships).

Oakley Public Library Board

The Oakley Public Library Board is organized under Kansas Statutes for the purpose of operating a public library for the benefit of the City of Oakley. The Board's members are appointed by the City Council. The City substantially funds the Board's operations by levying tax dollars for the Library. The Library Board's audited financial statements are included in the **City of Oakley, Kansas'** audit report. The Library Board does not issue a separate audit report. Contact the City Clerk for further information.

B. Basis of Presentation – Fund Accounting

The accounts of the government are organized and operated on the basis of funds. In governmental accounting, a fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The following categories of funds comprise the financial activities of the City for the year ended December 31, 2006:

Governmental Funds

General Fund – reports as the primary fund of the City. The fund is used to account for all financial resources not reported in other funds.

Special Revenue Funds - to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2006

B. Basis of Presentation – Fund Accounting (cont.)

Debt Service Fund - to account for the accumulation of resources for and the payment of interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

Proprietary Funds

Enterprise Funds - to account for operations that are financed and operated in a manner similar to private business enterprises - where the stated intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Agency Funds - to account for fiduciary assets held by the City in a custodial capacity as an agent on behalf of others.

Private Purpose Trust Funds - to account for assets held by a governmental unit as trustee or agent for others. The principal and income of these funds may be expended in the course of the fund's designated operations.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the statutory basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

D. Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the City are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, capital leases temporary notes, and compensated absences are not presented in the financial statements.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2006

E. Accounting for Capital Assets and Depreciation

The City does not maintain a record of capital assets used in performance of general government operations and the proprietary funds as required by generally accepted accounting principles.

F. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for fiduciary funds and the following special revenue and enterprise funds:

Self Insurance Fund, Equipment Reserve Fund, Capital Improvement Fund, Water Reserve Fund,
Electric Reserve Fund, Sanitation Reserve Fund

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

G. Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is utilized in the governmental funds.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2006

H. Deposits and Investments

The City follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund type in the summary of cash receipts, cash disbursements and unencumbered cash.

As of December 31, 2006, the City had no investments

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no other policies that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City did not use "peak periods" during 2006. All deposits were legally secured at December 31, 2006.

At December 31, 2006, the City's carrying amount of deposits was \$3,534,097 and the bank balance was \$3,626,686. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$305,495 was covered by federal depository insurance, \$3,321,191 was collateralized with securities held by the pledging financial institutions' agents in the City's name.

I. Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures during the year of purchase as required by state statutes.

J. Property Tax Calendar

Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Major property tax payments are received January through July and are recognized as revenue in the year received.

K. Restricted Assets

These assets consist of cash and short-term investments restricted for Agency Funds.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2006

L. Compensated Absences

The City allows employees to accumulate a maximum of 12 days of sick leave per year based upon the anniversary of their employment. No employee may accrue more than 120 days of sick leave. An employee will not be paid for unused sick leave upon termination for reasons other than retirement or death and will be paid only if the employee has been employed for ten years or longer. The maximum benefit paid for eligible employees is one-third of total accumulated leave. As of December 31, 2006 the cost of accumulated sick leave has been calculated at \$157,090.

The City allows a maximum of 10 days paid vacation for full-time employees for each year for the first 10 years of employment with a maximum of 20 days accumulation. For each year after 10 years, an additional day of vacation is added up to 20 years. Employees may accumulate twice the yearly vacation allowance up to a maximum of 40 days. Upon termination, employees will be compensated for all earned but unused vacation. The City's maximum potential liability under the plan at December 31, 2006 has been estimated at \$42,785.

M. Defined Benefit Pension Plan

Plan Description – The City of Oakley, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy - K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by the statute for calendar year 2006 is 4.61% from January 1, 2006 through June 30, 2006 and 4.81% from July 1, 2006 through December 31, 2006. The City of Oakley, Kansas employer contributions to KPERS for the years ending December 31, 2006, 2005, and 2004 were \$27,274, \$28,054, and \$25,163, respectively.

N. Deferred Compensation Plan

City employees may participate in a deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or in case of limited specific circumstances. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income that is attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

O. Other Post Employment Benefits

As provided by K.S.A. 12-5040, the City allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the City is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2006

O. Other Post Employment Benefits (cont.)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the City for this coverage. The premium is paid in full by the insured. There is no cost to the City under this program

2. Landfill Closure and Postclosure Costs

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The current year expenditures relating to the operation in the landfill, are provided in the Sanitation Utility Fund in these financial statements.

The City's estimate of closure and postclosure care liability at year end would be \$414,443. This liability is based on the use of 33.83% of the estimated cost of closure and postclosure care of \$1,225,074 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The City expects the landfill to continue to operate for approximately 16.1 years. Actual costs may be higher due to inflation, changes in technology or in regulations. The City has not restricted any of its assets for payments of closure and post closure care costs.

The City is meeting the financial assurance requirements through the Local Government Financial Test. This test involves our components: financial, public notice, recordkeeping and reporting, and calculation of costs to be assured. The City has satisfied all four requirements.

3. Transfers and Payments

Transfers and payments within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas Statutes. The City's operating transfers and statutory authority for December 31, 2006 were as follows:

From	To	Authority	2006
General - Parks and Cemetery	Capital Improvement	K.S.A. 12-1,118	\$ 46,000
General - Street Department	Special Highway	K.S.A. 12-1,119	80,000
General - Police	Equipment Reserve	K.S.A. 12-1,117	10,000
General - Fire Department	Equipment Reserve	K.S.A. 12-1,117	29,780
Electric Utility	Electric Reserve	K.S.A. 12-825d	50,000
Sanitation Utility	Equipment Reserve	K.S.A. 12-1,117	28,000
Water Utility	Water Reserve	K.S.A. 12-825d	25,000
Water Utility	Equipment Reserve	K.S.A. 12-1,117	15,000
Sanitation Utility	Sanitation Reserve	K.S.A. 12-825d	30,000
Water Reserve	Bond & Interest Fund	K.S.A. 12-6a16	40,000
Water Reserve	Swimming Pool Lease	K.S.A. 12-1,118	43,589
Capital Improvement	Bond and Interest	K.S.A. 12-6a16	12,000
Swimming Pool Lease	Water Reserve	K.S.A. 12-825d	46
TOTALS			\$ 409,415
Component Unit Operating Transfers			
Edna M. Hood Estate Bequest	Library-General Fund	K.S.A 79-2925	\$ 3,619
Library-General Fund	Library-Capital Improvement	K.S.A 12-1258	17,816
TOTALS			\$ 21,435

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2006

4. Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the statutory basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

5. Litigation

The City is party to various legal proceedings such as foreclosure actions and tax appeals, which normally occur in governmental operations. The legal proceedings are not likely to have a material adverse impact on the funds of the City.

6. Risk Management – Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has been able to obtain errors and omissions insurance at a cost it considered to be economically justifiable.

The City carries commercial insurance for all other risks of loss, including property, general liability, inland marine, crime, umbrella, auto and fidelity bond coverage.

The City does not carry comprehensive collision insurance on all motor vehicles. The City has elected not to provide for a reserve on this risk.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. At December 31, 2006 the financial statements do not include liabilities for anticipated costs.

7. Grants and Shared Revenues

The City participates in numerous state and federal grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the City, any liability for reimbursement, which may arise as the result of the audits, is not believed to be material.

8. Comparative Data

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in the City's cash and unencumbered cash balances. However, complete comparative data (i.e., presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.

CITY OF OAKLEY, KANSAS
Notes to Financial Statements
December 31, 2006

9. Compliance with Kansas Statutes

Expenditures exceeded the adopted budget in the following funds which is in violation of K.S.A. 79-2935.

Employee Benefits Fund	\$ (2,906)
Sanitation Utility Fund	\$ (18,258)

Expenditures exceeded available monies in the following fund which is in violation of K.S.A. 10-1113.

Employee Benefits Fund	\$ (26,809)
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10. Long Term Debt

The City has the following types of Long-Term Debt:

General Obligation Bonds – The City issued General Obligation Bonds to provide funds in order to construct a main sewer line, to install a water line and to construct a main sewer extension.

Certificates of Participation – The City issued Certificates of Participation to provide funds for the acquisition and construction or improvement of major capital assets.

Lease Obligations - The City has entered into lease agreements with an option to purchase at the expiration of the lease term. The leases contain a fiscal funding clause.

Changes in long-term liabilities for the County at December 31, 2006 and current maturities of long-term debt and interest for the next five years and in five year increments through maturity are included on the next two pages.

CITY OF OAKLEY, KANSAS
Schedule of Changes in Long Term Debt
For the Year Ended December 31, 2006

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bond Series 1999	5.45%	07/15/99	\$ 985,000	07/01/20	805,000	-	(40,000)	(40,000)	765,000	43,690
General Obligation Bond Series 2003	4.42%	02/20/03	121,000	12/01/18	115,000	-	(5,000)	(5,000)	110,000	5,100
Certificates of Participation	5.25%	11/15/96	700,000	05/15/06	90,000	-	(90,000)	(90,000)	-	2,475
Capital Leases										
Fire Engine Pumper	4.99%	06/06/02	130,354	06/06/07	42,531	-	(28,003)	(28,003)	14,528	1,777
Digger Derrick	4.57%	02/01/02	141,890	02/01/08	63,824	-	(63,824)	(63,824)	-	3,462
Trash Truck	5.30%	08/12/02	103,015	08/12/08	56,025	-	(17,708)	(17,708)	38,317	2,737
Total Capital Leases			375,259		162,380	-	(109,535)	(109,535)	52,845	7,976
Total Contractual Indebtedness			2,181,259		1,172,380	-	(244,535)	(244,535)	927,845	59,241
Amount to be Provided for Compensated Absences	N/A	N/A		N/A	209,558	-	-	(9,683)	199,875	-
Total Long Term Debt			\$ 2,181,259		1,381,938	-	(244,535)	(254,218)	1,127,720	59,241

CITY OF OAKLEY, KANSAS
Schedule of Maturity of Long Term Debt
For the Year Ended December 31, 2006

	YEAR							
	2007	2008	2009	2010	2011	2012-2016	2017-2021	Total
Principal								
General Obligation Bond - Series 1999	\$ 40,000	45,000	45,000	50,000	55,000	300,000	230,000	765,000
General Obligation Bond - Series 2003	5,000	5,000	10,000	10,000	10,000	50,000	20,000	110,000
Capital Leases	33,187	19,658	-	-	-	-	-	52,845
Total Principal	78,187	69,658	55,000	60,000	65,000	350,000	250,000	927,845
Interest								
General Obligation Bond - Series 1999	41,370	39,050	36,530	34,055	31,480	112,320	25,110	319,915
General Obligation Bond - Series 2003	4,830	4,570	4,310	3,790	3,440	11,180	1,400	33,520
Capital Leases	2,148	787	-	-	-	-	-	2,935
Total Interest	48,348	44,407	40,840	37,845	34,920	123,500	26,510	356,370
Total Principal and Interest	\$ 126,535	114,065	95,840	97,845	99,920	473,500	276,510	1,284,215